

**Keynote Address
By**

**Bindu N. Lohani
Vice President
Knowledge Management and Sustainable Development
Asian Development Bank**

**At the
High Level Roundtable Discussion on Regional Cooperation and Integration**

**“Regional Cooperation in a Changing Global Economic Landscape”
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I. Introduction

Your Excellencies, distinguished guests, ladies and gentlemen,

I am honored to speak this morning on the importance of regional cooperation in the changing global economic landscape. I am sure this morning we will fulfill one of the prerequisites for successful cooperation—and that is knowledge sharing and effective dialogue.

II. The Nature of Cooperation

Whether by direct cause or coincidence, it seems that regional cooperation always increases in the aftermath of a crisis. The challenge is to sustain the momentum of effective collaboration once a crisis has passed. This is essential to ensure macroeconomic and financial stability for future crisis prevention, and to build resilience against potential disruptive shocks from within or outside Asia.

But cooperation is much more than dealing with crises. First, it is the framework within which economic integration can thrive. Integration expands markets and input sources, better allocates resources across the region, and thus accelerates economic growth. Cooperation is essential to maximize the benefits of integration for balanced and inclusive economic growth, while avoiding the pitfalls of market failure.

Second, cooperation also links the public and private sectors across borders. In addition to project finance, these links promote good governance through regulatory harmonization and the sharing of international best practices. Importantly, it also links public and private sectors in promoting regional public goods—from disease prevention and disaster preparedness to environmental protection.

Third, regional cooperation has its own spillover effects. It can impact domestic policymaking on one hand, and influence global governance on the other. In building standards and in seeking the best—as opposed to the least—common denominator for collaboration, regional economic cooperation can exert strong peer pressure on domestic policymaking in areas such as monetary policy, fiscal responsibility or trade policy.

Finally, effective cooperation also enhances a region's global impact. If Asia handles its own cooperative agenda well, the region can expand its influence and contribute effectively to ensuring that needed global structural adjustments and rebalancing proceed with the least economic disruption. This in turn will promote world economic growth and recovery in crisis-affected advanced economies.

III. Staying the Course

As many of you know, when President Kuroda arrived at ADB in 2005, he made a conscious effort to elevate regional cooperation and integration as part of ADB's profile. ADB, through its various departments, has contributed to raising that profile. The *Asian Economic Integration Monitor* we are launching today is designed to examine how Asia is integrating, and where it could benefit from greater cooperation.

Without delving too much into the details, I would like to stress two points:

The first is that when economic and financial crises force countries to collaborate, recovery is smoother and crisis prevention is strengthened. As happened following the 1997/98 Asian financial crisis, the 2008/09 global financial crisis—and to some extent the ongoing eurozone crisis—cooperation in Asia deepened, helping build resilience to future shocks. For most of developing Asia, that has meant restructuring to get the fundamentals right—high savings and investment, trade openness, investment in human capital, flexible labor markets, and sound fiscal and monetary policy.

We saw how the liquidity crunch in September 2008 led to the activation of several bilateral swaps. Since then, aside from new swap arrangements being signed—which I believe shows central bank preference—the ASEAN+3 reserve pooling arrangement, or Chiang Mai Initiative, has been multilateralized. As a cooperative financial safety net, contributions and borrowing multiples have been set, and resources have been doubled to \$240 billion. Importantly, the ASEAN+3 Macroeconomic

Research Office is up and running. The CMIM itself, however, while a good start, needs to be further strengthened to be an effective regional financial safety net. I also must mention that India—South Asia's giant economy—is also expanding regional cooperation and has recently offered to lead and finance a regional financial safety net covering South Asia.

This is cooperation in response to crisis, however. And that leads to my second point: we cannot allow cooperation to lose momentum when recovery is secure, growth is robust, and demand is strong. As Asia's policymakers digest the ongoing eurozone crisis and costs of contagion, they may have a reduced appetite for deeper cooperation. This would be a mistake, for all the benefits of cooperation I mentioned earlier.

In this regard, I am heartened by some of the longer-term initiatives we are seeing across Asia. Of course, there is the ASEAN Economic Community planned for 2015. And while much still needs to be done, it is the commitment and political will ingrained within the ASEAN process that will bring about greater integration and convergence as we move beyond the 2015 deadline. ASEAN's new Regional Comprehensive Economic Partnership, with negotiations launched in November last year, will further promote trade and investment between ASEAN and its major trading partners.

Under the 2012 Trilateral Agreement between the People's Republic of China, Japan, and the Republic of Korea, the three economic giants agreed to promote investment in each others' government bond markets. They also agreed in November last year to start negotiating a three-way free trade agreement.

The South Asian Association for Regional Cooperation or SAARC is intensifying its efforts to fully and effectively implement its South Asia Free Trade Area. The Central Asia Regional Economic Cooperation or CAREC is continuing investments in infrastructure connectivity—particularly through economic corridor development and integrated trade facilitation—to deepen economic links among its landlocked members. And the Pacific Island Forum is driving forward with the immense task of better linking island nations, both to each other and to world markets outside the subregion.

IV. Conclusion

To conclude, regional cooperation is increasingly important in managing economic integration and promoting economic growth and financial stability. This occurs from a national, regional, and global perspective. When crises strike, cooperation tends to pick up and accelerate. But it is when recovery is secure that cooperation and integration must move toward a longer-term agenda. It is critical that momentum is not lost. Even when disagreements in other spheres threaten to sidetrack the process, the commitment and political will to carry through in deepening economic cooperation and integration must not be disrupted. In this changing environment, future cooperation will likely become more challenging. And to reap its benefits, all must be up to that challenge.

I look forward to the roundtable discussions.

Thank you.